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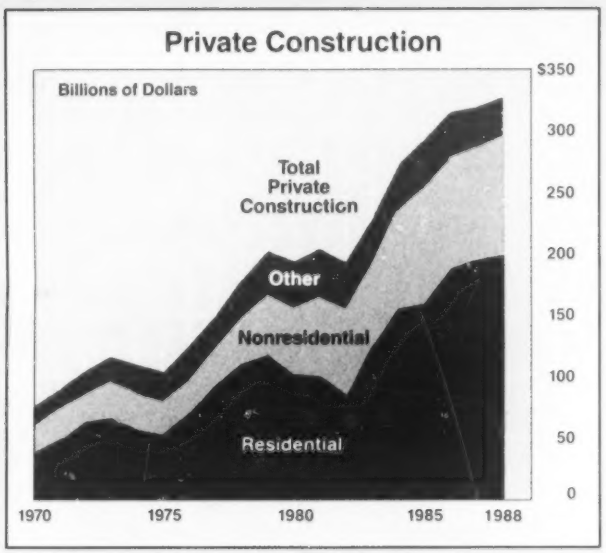
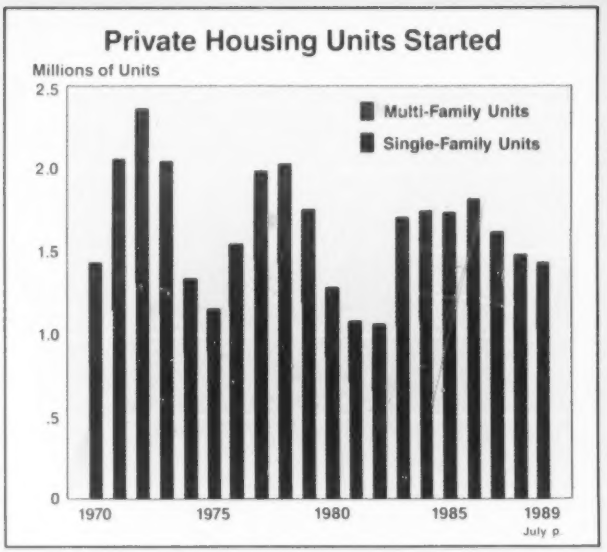
The Conference Board
Economic Road Maps

Aspects of the Housing Market

Nos. 2031-2032 **November, 1989**

A cornerstone of the American dream is slowly fading: A growing number of Americans, both young and old, are seeing skyrocketing prices remove home ownership from their reach. Home ownership rates, up from 44% to 66% between 1940 and 1980, have been declining for the first time since the Depression. The coming of home-buying age of the baby boom generation during the 1970s and 1980s created a huge demand for housing, which translated into a housing construction boom. Then in 1979, the arrival of double-digit inflation injected a speculative element into the housing market. Homes began to be viewed as money-making investments rather than simply dwellings or as hedges against inflation. The speculative element has now mostly subsided and a home is once again primarily considered as shelter.

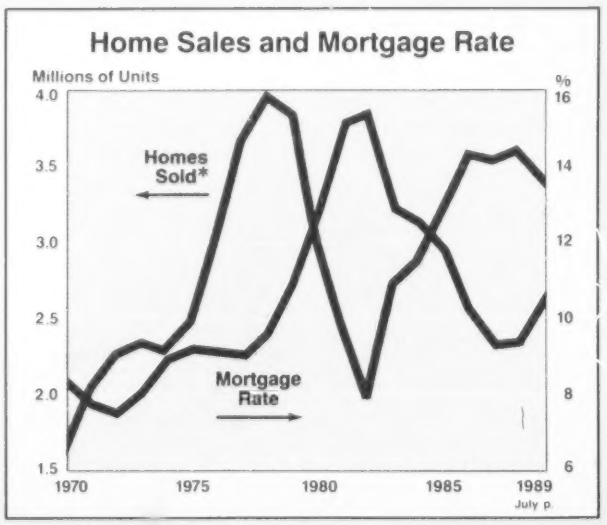




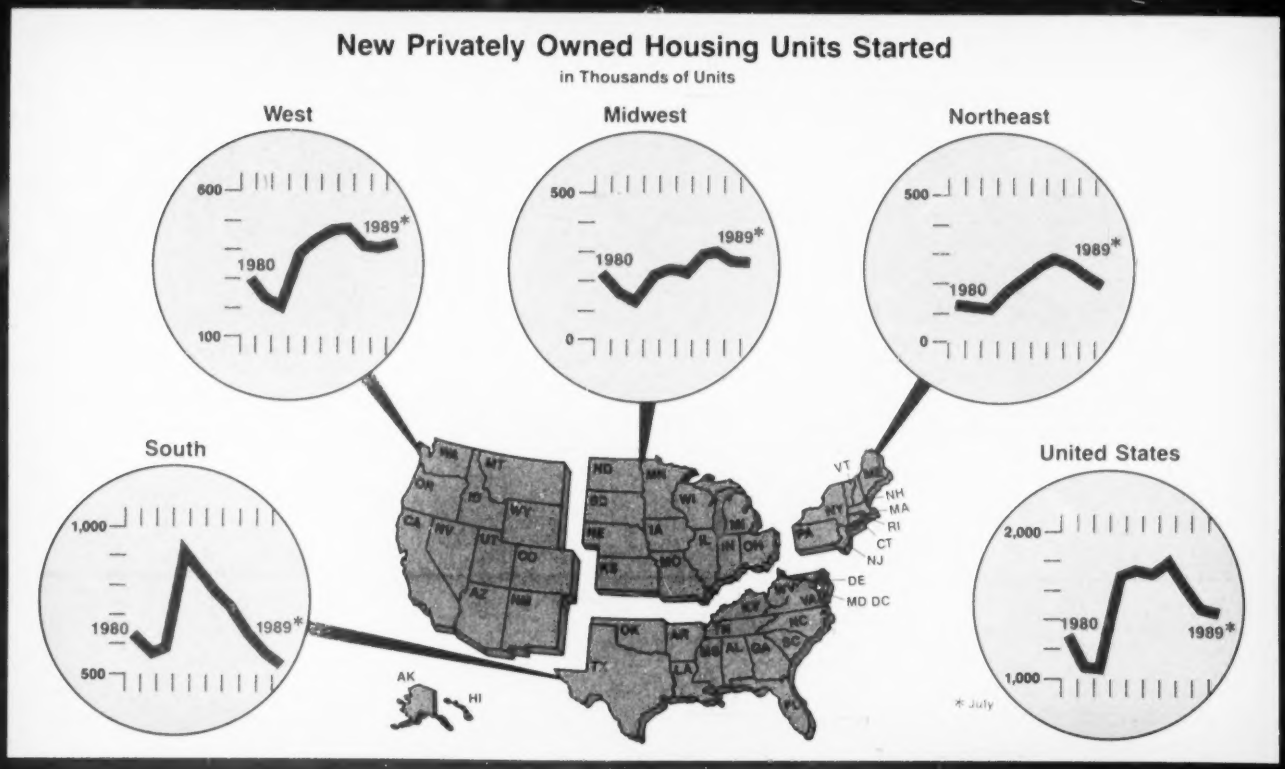
The growing demand for housing created a boom for the construction industry. Private construction has escalated from $73 billion to $325 billion since 1970. Housing starts peaked in 1972, at almost 2½ million units, split almost evenly between single and multi- units. Currently, with annual housing starts at around 1½ million units, the proportion of multi units to single units is less than one-third of the total.

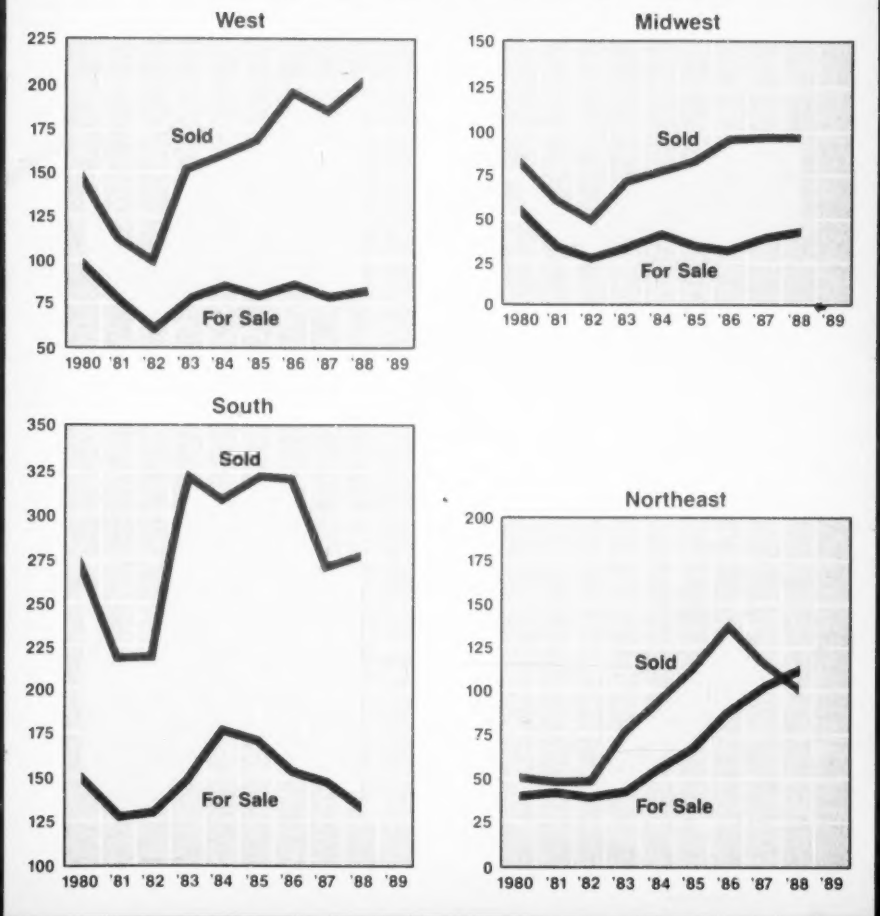
Today, there are around 100 million housing units in the U.S., of which 65 million are single-family units; the remainder consists of multi-family homes and mobile homes. The housing inventory is fairly young with over half of housing units constructed after 1962.

The housing boom is not evenly distributed across the country; some regions, states, and cities benefited more than others. Problems in manufacturing, farm, and energy-dependent states are reflected in the health of their housing. The number of homes on the market has not declined



* Existing single-family units

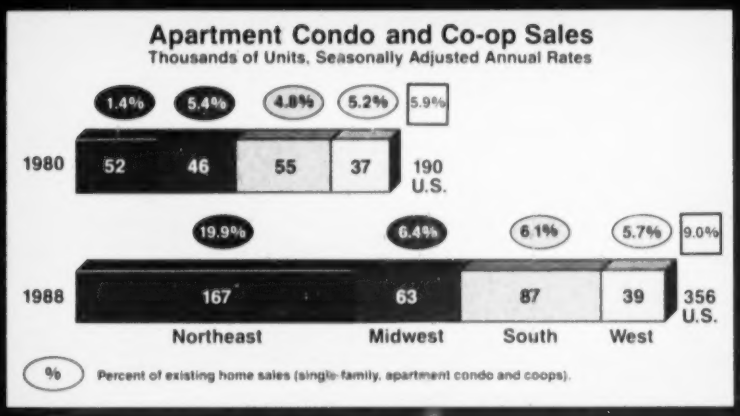


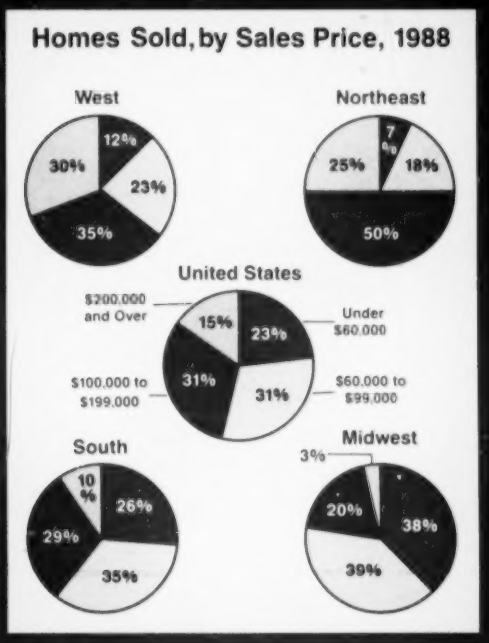


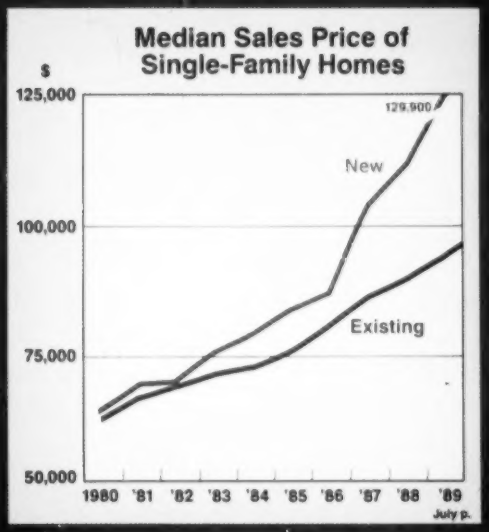
recently, except in the South, and has actually exceeded the number of sales in the Northeast. This should eventually put pressure on prices. The huge number of houses for sale in the Northeast is partly due to the enormous increase in housing prices during the 1980s. In just the past two years prices have risen 50 percent. But in the region's large metropolitan areas such as New York, Boston, and Philadelphia, prices are beginning to soften. In contrast, home prices in the West are also at an all-time high, and continue to rise briskly in places such as Los Angeles, San Francisco, and Orange County.

Nationally, almost one-quarter of home sales are priced under $60,000, but regional disparities are very wide. In the Northeast and the West, only a fraction of houses are sold for under $60,000, which represents the largest share of Midwest housing sales. At the other extreme, more than one-quarter of homes sold in the Northeast and the West are priced at over $200,000. This market represents only 3% of the Midwest and 10% of the South's market share.

In the Northeast especially the lack of affordable housing has con-





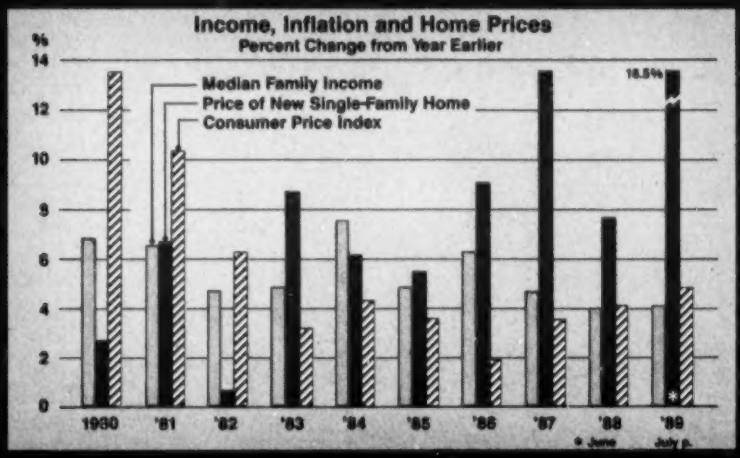


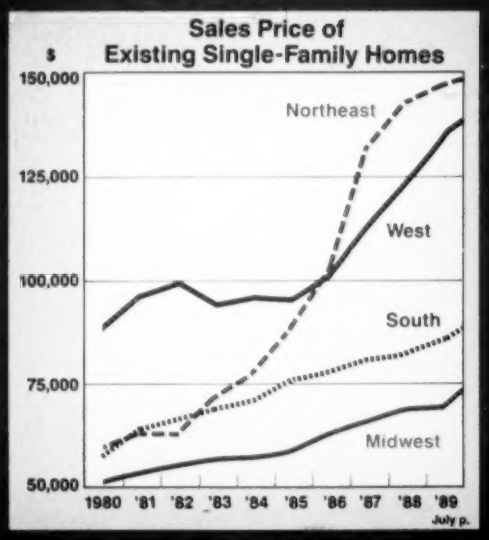
tributed to the growth in condominium and cooperative apartment sales, which have tripled since 1980.

Median income has not kept up with escalating housing prices. At a time when the price of a single-family home rose 75%, median family income advanced only 53 percent. It also outstripped the rate of consumer price inflation which rose 44% between 1980-1988.

Eva Culen

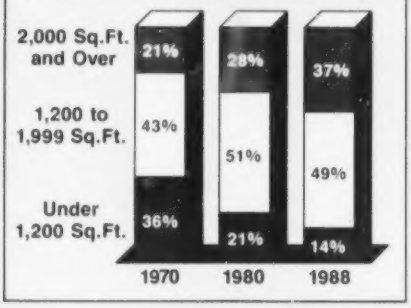
Sources: U.S. Departments of Commerce, Labor, Housing and Urban Development; National Association of Realtors; Federal Home Loan Bank Board; The Conference Board.



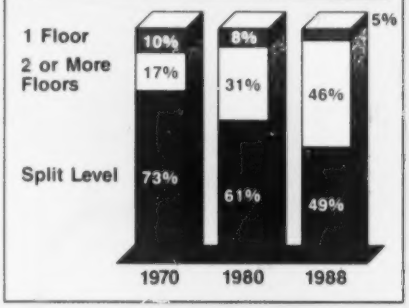


New Single-Family Housing Characteristics

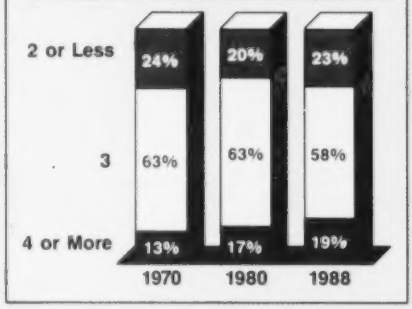
Floor Area



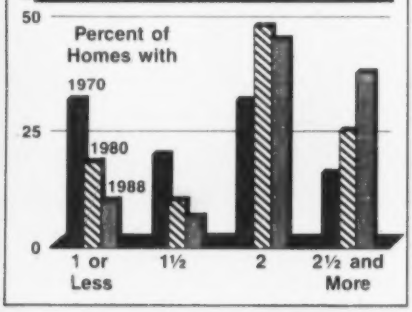
Number of Floors



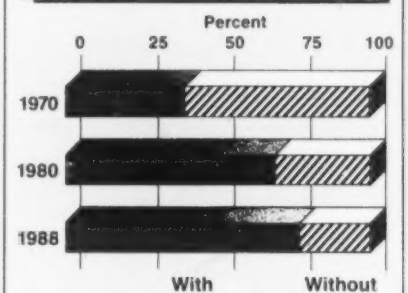
Number of Bedrooms



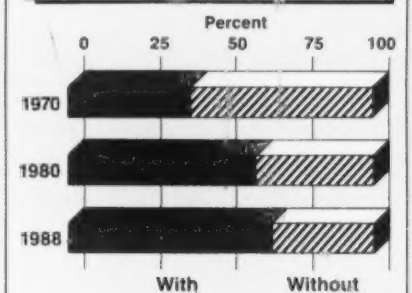
Number of Bathrooms



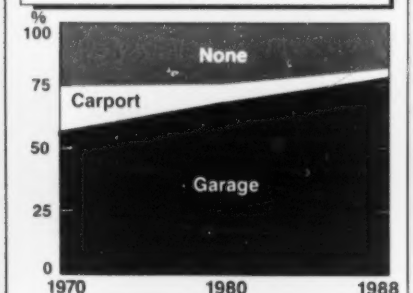
Central Air Conditioning



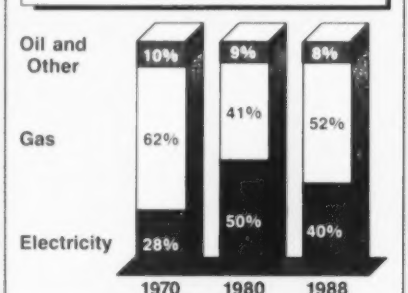
Fireplaces



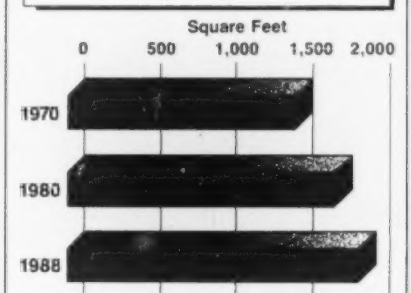
Parking Facilities



Heating Fuel



Average Floor Area



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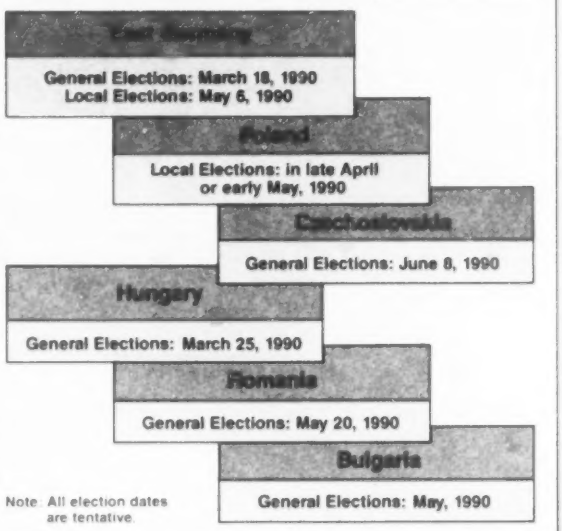
Eastern Europe in Transition

Nos. 2023-2024 February, 1990

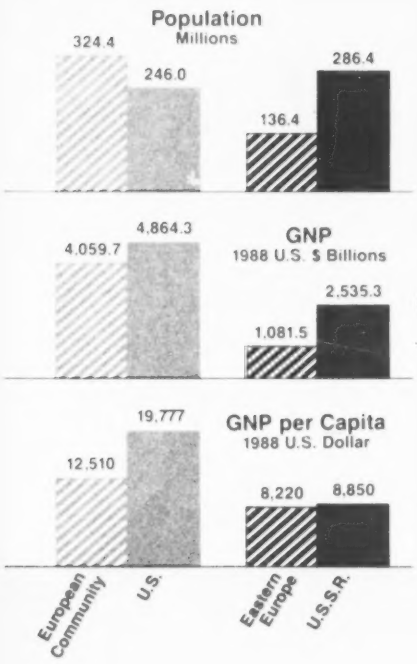
The collapse of the political system that ruled Eastern Europe for over 40 years has come with shocking swiftness. With free elections to be held within the next few months, most of these countries' energies are currently focused on the political arena. But political reform is the easy part. It is the need for *economic* reform, widely accepted today by both the Right and Left, which will be much more difficult to implement. Western experts agree that economic improvement in Eastern Europe will take several years to gather momentum.

General Election Schedules for East European Countries



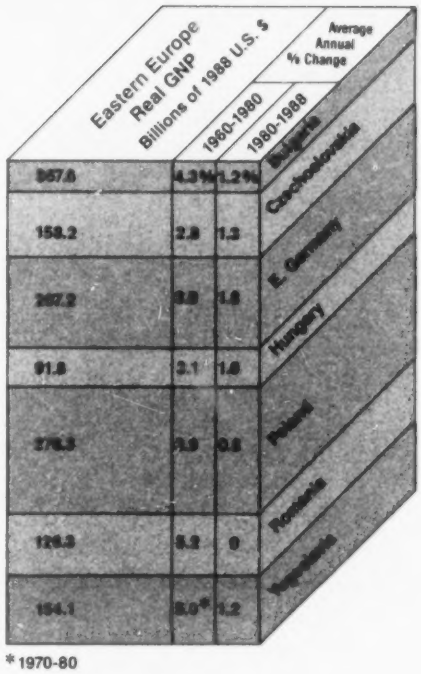
Eastern Europe

Demographic Trends



Eastern Europe has an area roughly equal to that of Texas and New Mexico combined, a population of 140 million consisting of about a dozen nationalities and almost as many religious affiliations. The countries of the region are at varying degrees of economic development, with a total output of about $1 trillion—approximately one-quarter of the GNP of the European Community.

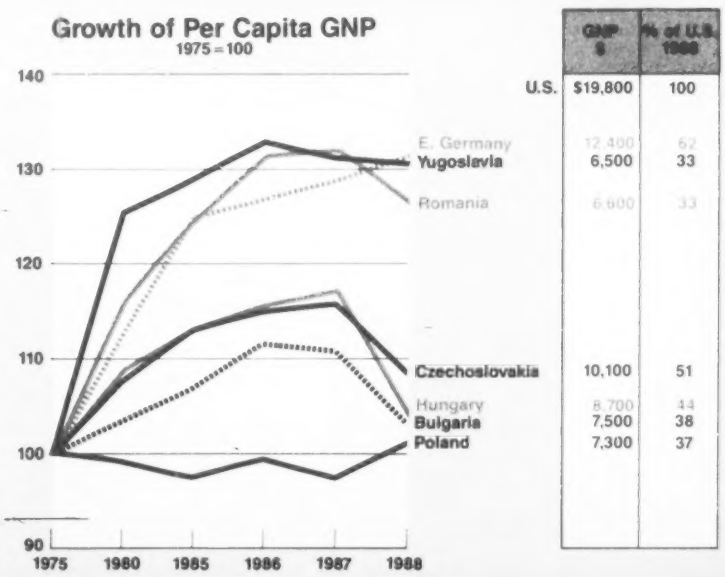
Population of the region, like that of the rest of the developed world, is growing at a slow rate. Since 1980 population has been declining in Hungary. East Germany has also been losing population but mostly as a result of massive emigration—between 1950 and 1985 an estimated 15 percent of the population has migrated to the West. For the region as a whole slow



*1970-80

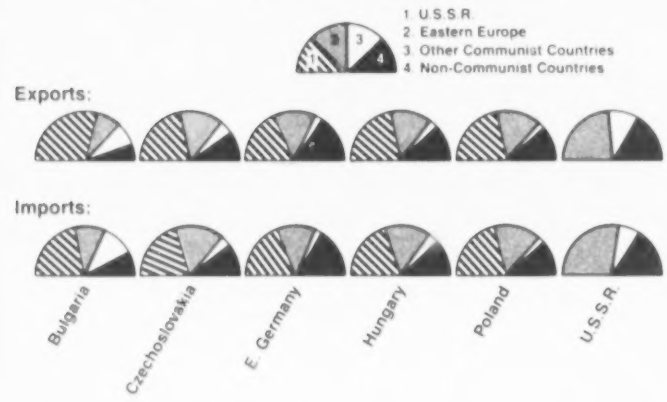
population growth is likely to continue into the next century. With a steeply declining birth rate and a death rate that has changed little over time, the natural increase in the population continues to decline. It is noteworthy that women have been choosing to have fewer babies, even in a system known for generous maternity benefits that pay full salaries while absent, guarantee jobs upon return to work, and free child care. Shortages of such necessities as housing, food, and some other consumer items, seem to have outweighed the social benefits. As in the West, the number of elderly and their median age is also rising. But for the first time since World War II, the declining quality of life has reduced life expectancy both in Eastern Europe and the Soviet Union. The life expectancy remains under 71 in the Eastern Bloc at a time when it is rising rapidly in the less developed countries, and the life expectancy of the developed countries of Europe, America and the Far East is 75 and above. Excessive consumption of alcohol and cigarettes, poor quality of medical care, environmental hazards and the stress of everyday life are contributing factors.

It is a generally accepted fact that the economies of the East Bloc countries are in bad shape, with some worse off than others, but all in urgent need of basic reform. The postwar economic system of Eastern Europe was modeled on that of the Soviet Union—centrally planned, concentrated on heavy industry, and based on the quota system, which rewarded and promoted management and workers on the basis of the quantity of production at the expense of quality



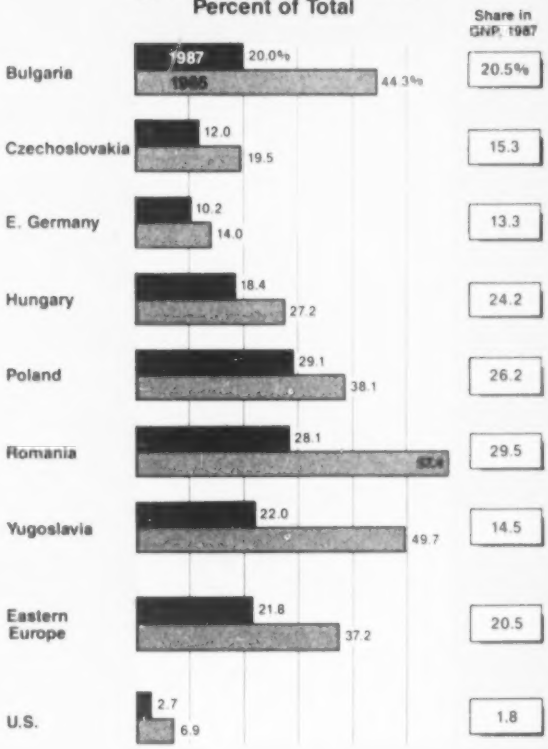
	GNP $	% of U.S. 1988
U.S.	$19,800	100
E. Germany	12,400	62
Yugoslavia	6,500	33
Romania	6,600	33
Czechoslovakia	10,100	51
Hungary	8,700	44
Bulgaria	7,500	38
Poland	7,300	37

East European Foreign Trade, 1988



Agricultural Labor Force

Percent of Total



and without regard to end demand. This system was distorted further by massive subsidies—to inefficient industries on one hand, and for basic consumer goods on the other. It gave consumers little choice in spending their money; as a result, during the 1980s, the savings rate in the region went up, and all countries in Eastern Europe found a larger share of their output going into inventories as unwanted goods accumulated in warehouses.

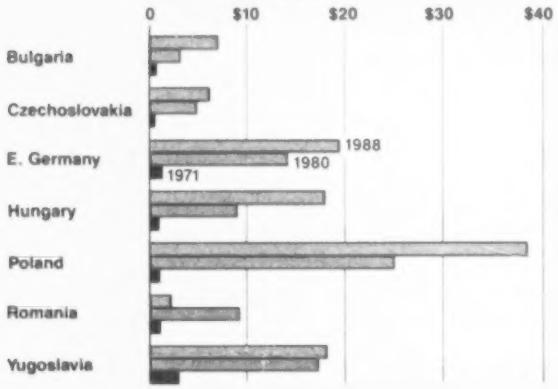
Industry was not the only mismanaged part of the economy. The agricultural sector also fared poorly. Despite absorbing about one-fifth of the labor force even today (substantially more than in Western industrial countries), the bloc's ability to feed its citizens remains low.

According to a study by the Congressional Joint Economic Committee, the dismal economic performance in Eastern Europe is due to the chronic economic deficiencies of the 1980s, which included low or negative economic growth, the steady decline of productivity, and the use of scarce investment funds in the non-competitive industrial sector.

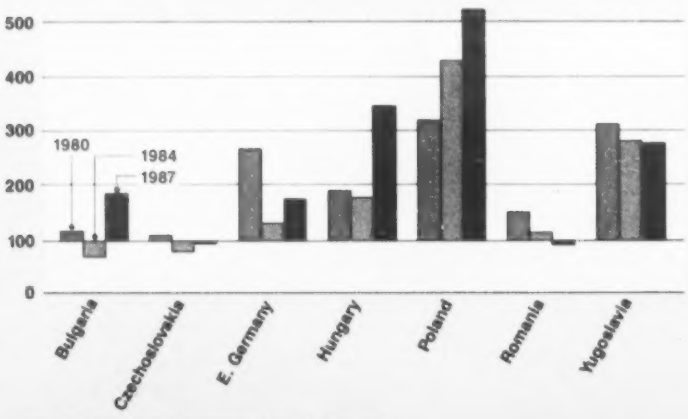
Many of these problems have their roots in decisions made 20 or more years ago. For example, technology and capital goods were imported in the early 1970s, based on decisions to modernize and promote faster growth. However, much of the capital went to inefficient factories, without any consideration for real rate of return and at the expense of infrastructure modernization. Unable to pay

East European Foreign Debt

Billions of Dollars

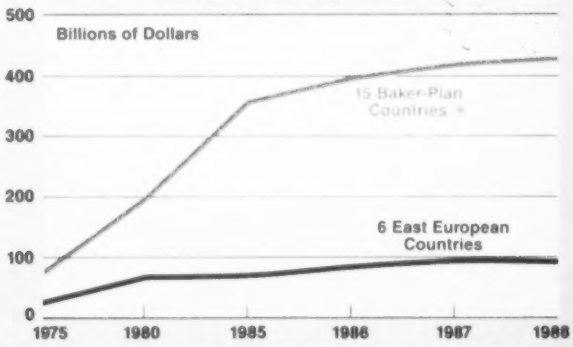


Debt/Exports Ratios



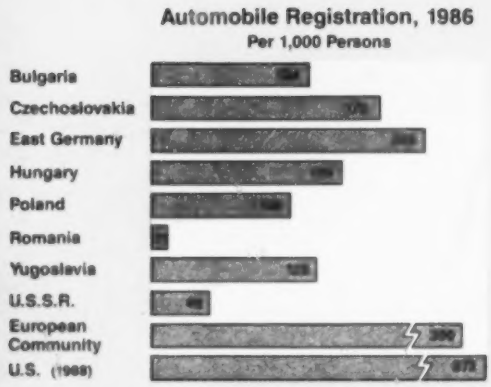
Note: Total debt relative to exports of goods in percent.

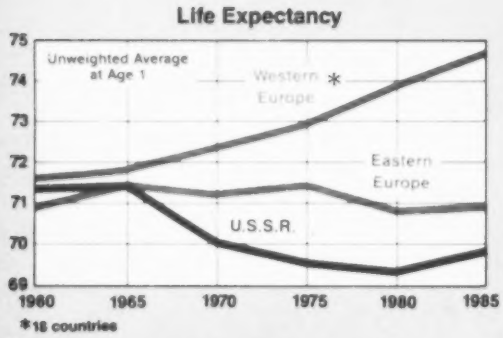
Hard Currency Debt

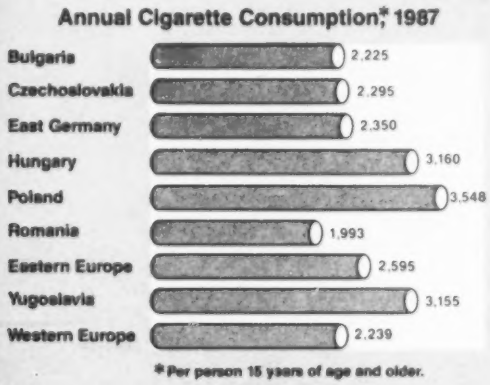


*Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, Yugoslavia.

Living Standard Indicators

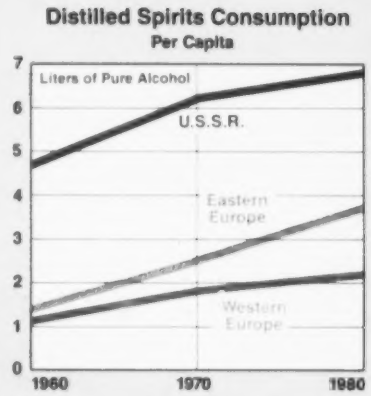




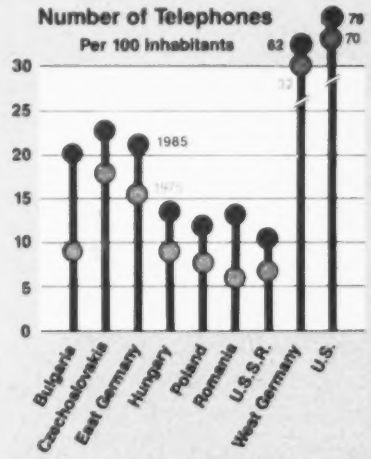


for these imports through increased exports, trade deficits were financed with foreign loans. The rise in oil prices in 1979, high interest rates and the ensuing global economic slowdown were added blows to Eastern European economies. The hard currency debt of the region went from $6 billion in 1971 to $66 billion in 1980; it has since risen to $91 billion. The burden of existing debt reduced their ability to raise additional funds in western capital markets. Recession and slow growth in western economies in the early 1980s further reduced demand for East Bloc exports. Newly Industrialized Countries (NICs) of the Far East stiffened competition in sluggish world markets, limiting East Bloc sales to less developed countries, which had little if any hard currency to spend. Most of the East Bloc's foreign trade remains intraregional, with the Soviet Union and with other Communist countries. Currently, such trade accounts for 70% to 80% of trade volume. Products are highly subsidized and produced to meet the needs and specifications of these trading partners—a pattern that will not be easy to change.

Eva Culen



Sources: Congressional Joint Economic Committee; Central Intelligence Agency; U.S. Department of Commerce; L.W. International Financial Research, Inc.; The Conference Board.



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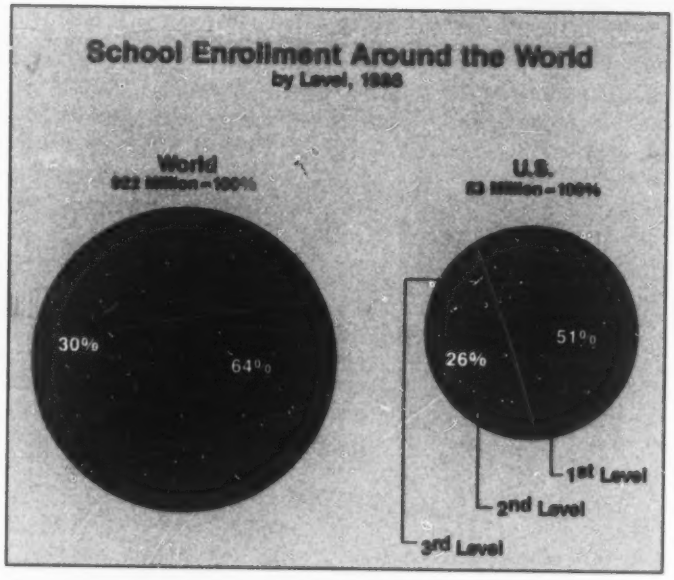
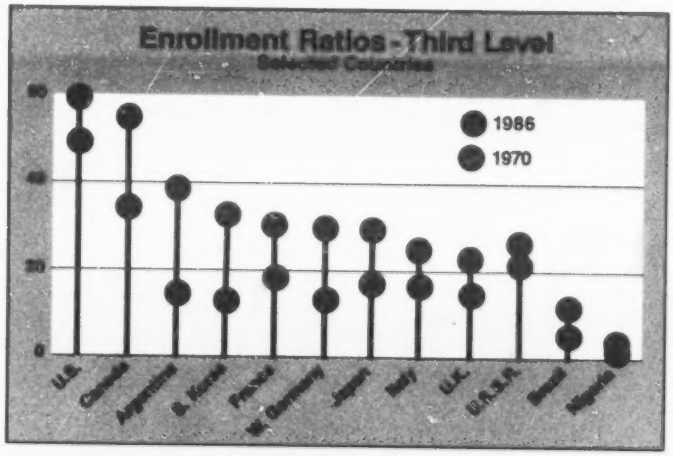
The Conference Board

Road Maps Nos. 2035-2036 August 1990

Education: Enrollment Trends





Note: Includes college and university enrollment, technical and vocational education beyond high school. Ratios based on 20-29 year old population.

With global enrollment of more than 900 million persons, education ranks among the world's largest enterprises. While most students leave school with only a basic elementary education, recent increases in college enrollment have been spectacular in both developing and industrialized countries. Since 1970, the share of college enrollees among all students has doubled in such countries as Brazil and West Germany, and has quadrupled in South Korea (see chart on left).

In the United States, approximately 53 million persons over the age of three attended school in 1988; about 63 million are expected to attend by the end of the century. Kindergarten through eighth grade enrollment will rise by about 2 million students during the 1990s, reflecting a modest increase in the birth rate and immigration. High school enrollment — which declined during most of the last decade — will also begin to climb. Enrollment in colleges and universities will increase by roughly a half million students despite the high cost of tuition and housing.

The spectacular surge in enrollment of three- and four-year-olds reflects a quarter century of readjustment in the nation's education and economic systems. Rapidly increasing labor force participation rates (especially among women) forced millions of parents to rely on educational facilities for the care, recreation and guidance of their children. Between 1965 and 1987, the share of three-year-olds attending pre-school programs increased nearly six-fold, from 5 percent to 29 percent; among four-year-olds, the share tripled to nearly 50 percent. By age five, more than 80 percent of U.S. children were enrolled in a kindergarten program. Not coincidentally, enrollment of three- to five-year-olds in full-day education programs also rose sharply during the 1970s and 1980s (see chart on page 2).

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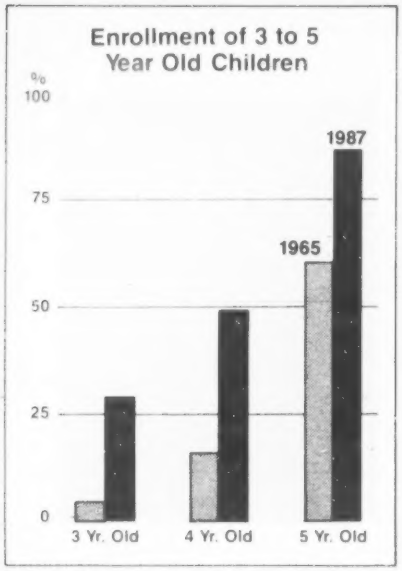
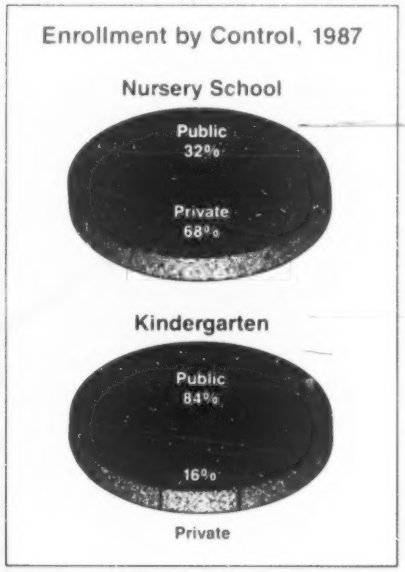
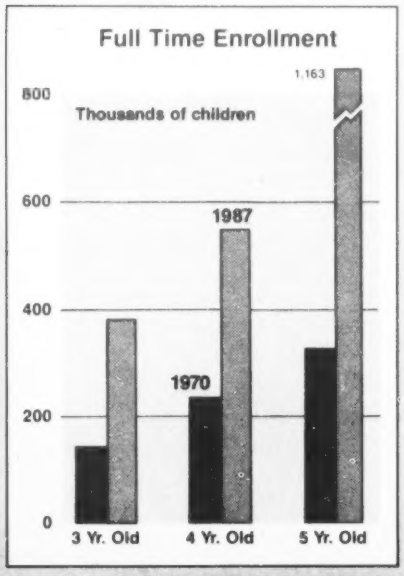




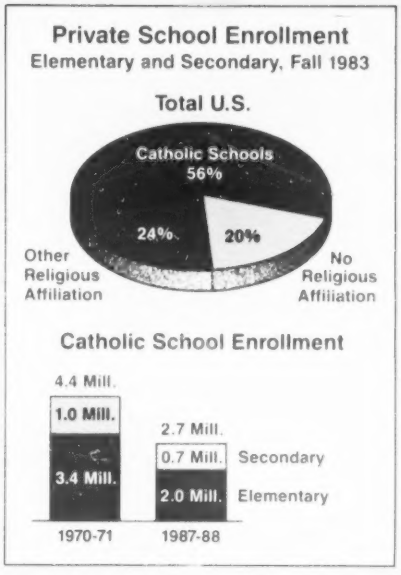


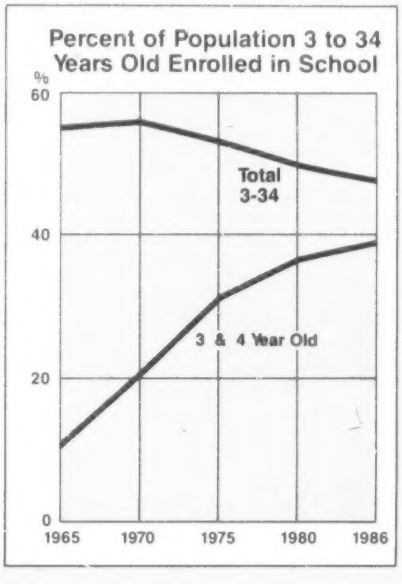
Shifting demographics and stubbornly high dropout rates throughout the 1970s and 1980s, particularly in large cities, eased crowding in many of the nation's high schools, but left many communities with spot shortages of skilled labor. However, according to the U.S. Department of Education, demographics will drive high school enrollment up again, although failure to solve the high dropout rates, especially among Hispanics, will keep the number of high-school students well below the level that demographics alone would suggest. By the end of the decade, the number of high school students is projected to climb to 14.8 million, about 14 percent more than in 1988.

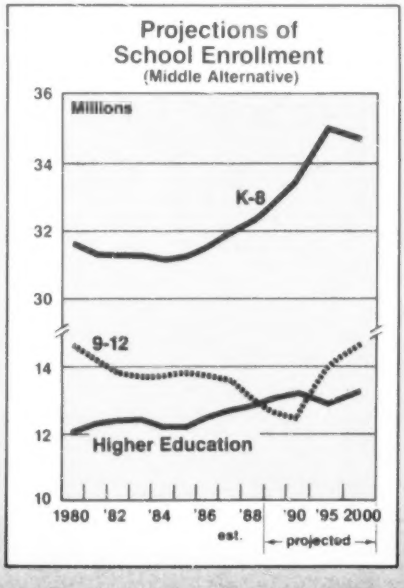
College enrollment continued to advance in the 1980s, despite the nearly 25 percent high school dropout rate and a decline in the college-age population. Enrollment increased by about 750,000 in the 1980s, as the number of female students climbed to 54 percent of the total. Since 1975, the number of degrees granted annually has increased by about 200,000, but the number of master's and doctoral degrees conferred has remained stationary. Overall, females earned more degrees than men from undergraduate and master's programs and roughly the same number from doctoral and professional programs.

The most favored fields of college study during the 1980s reflected the response of students to rapid, and frequently lucrative, technological and financial developments. Colleges conferred record numbers of degrees in business management, engineering, communications, and computer science; interest in education, the humanities, and both behavioral and natural sciences waned. Notably, at a time when education was emerging as a top national policy issue, bachelor's degrees in education dropped most steeply, from 18 percent of all degrees in 1975 to 9 percent in 1986; at the master's level, the decline was from 41 percent to 27 percent. Study of history and foreign languages, critical in a global economy, also lost favor (see chart on page 3).

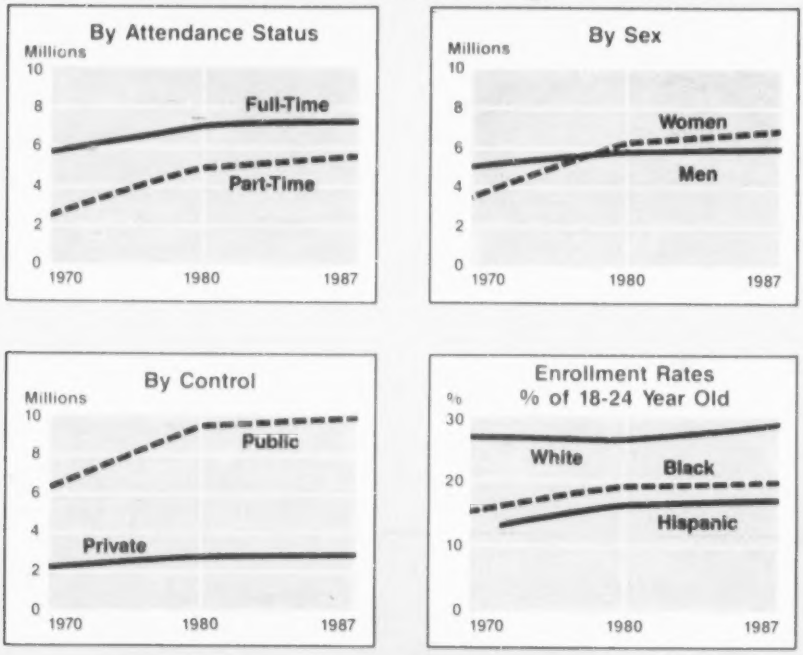
Foreign students comprise a growing portion of U.S. college enrollees. Approximately 356,000 foreign students attended U.S. colleges and universities in 1987-88. During the 1980s, enroll-



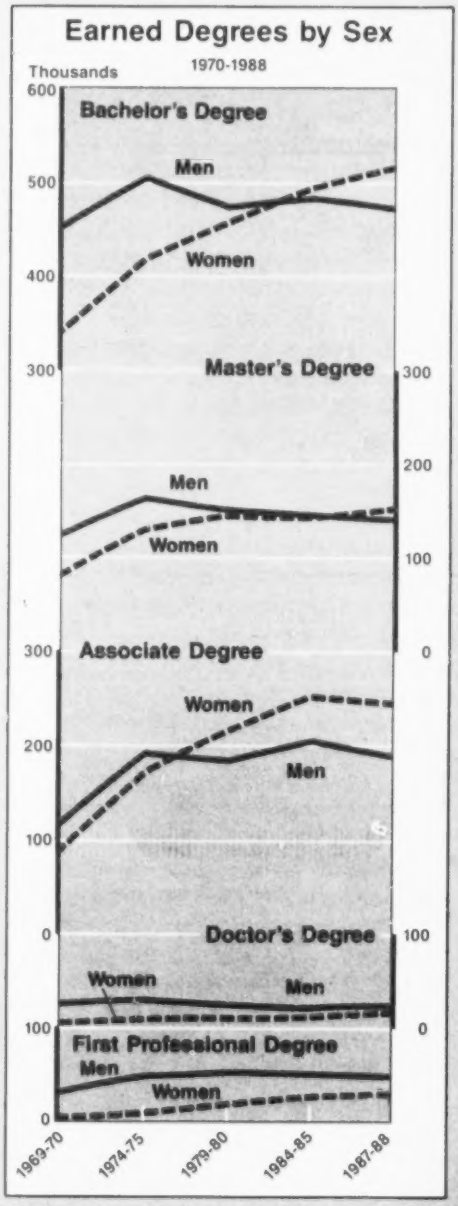




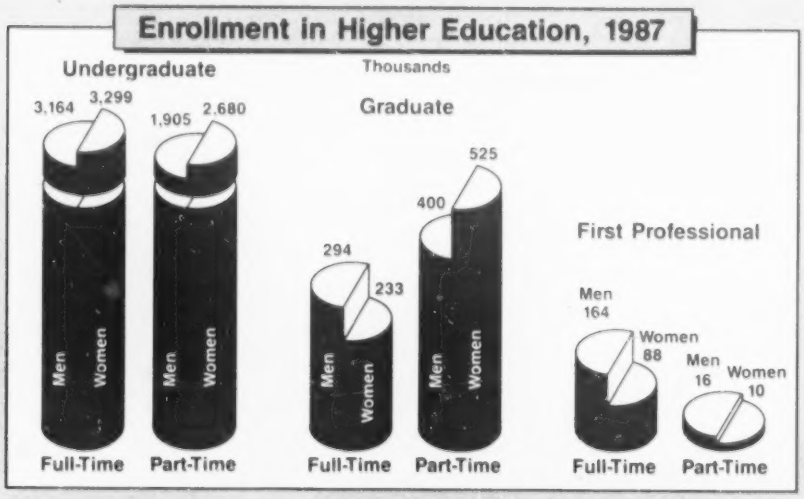
Compensation of Enrollment in Higher Education



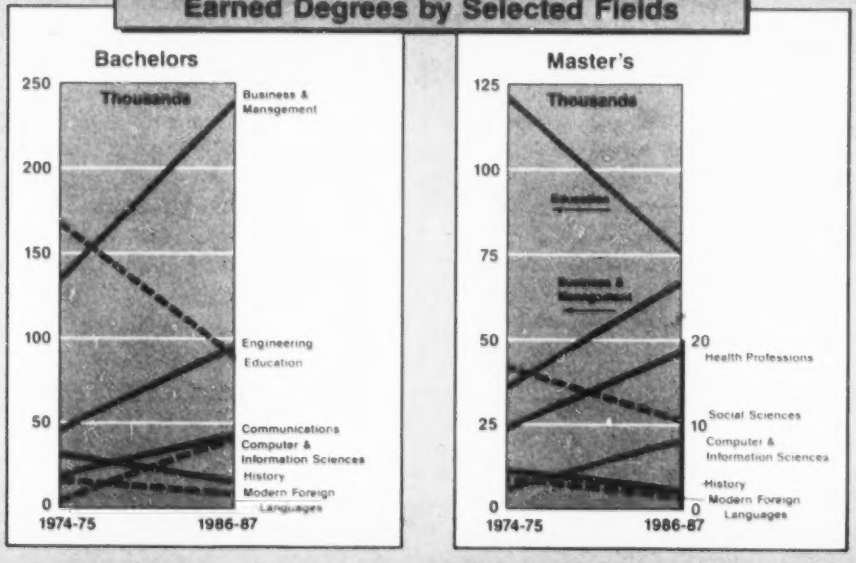
Earned Degrees by Sex



Enrollment in Higher Education, 1987



Earned Degrees by Selected Fields



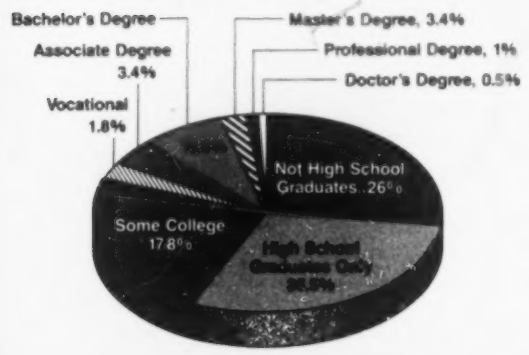
ment of Asians climbed steeply, and the number of students from Europe increased moderately. Enrollment of students from the Middle East dropped by about one-half. Foreign students had an especially large impact on graduate programs, where they earned more than 50 percent of the degrees conferred. In engineering and mathematics, foreign students earned 51 percent and 47 percent, respectively, of all doctorates (see chart on page 4).

Eva Culen

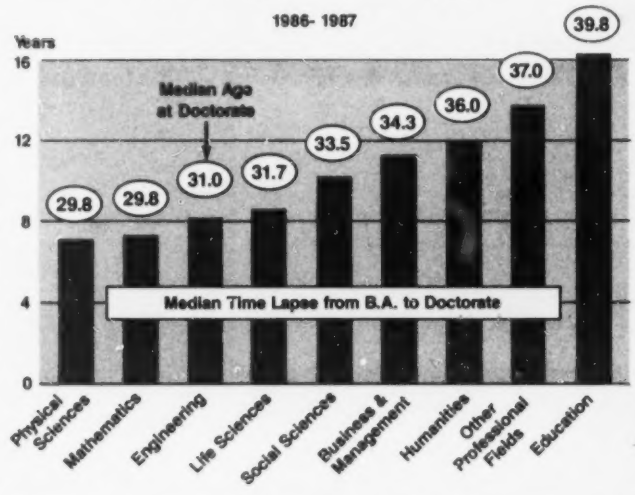
Sources: U.S. Department of Education; U.S. Department of Commerce; The Conference Board

Highest Educational Level and Degree Earned

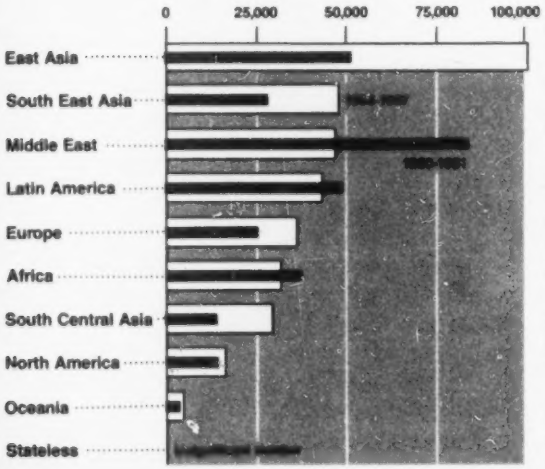
Persons Age 18 and Over, Spring 1984



Statistical Profile of Persons Receiving Doctor's Degree



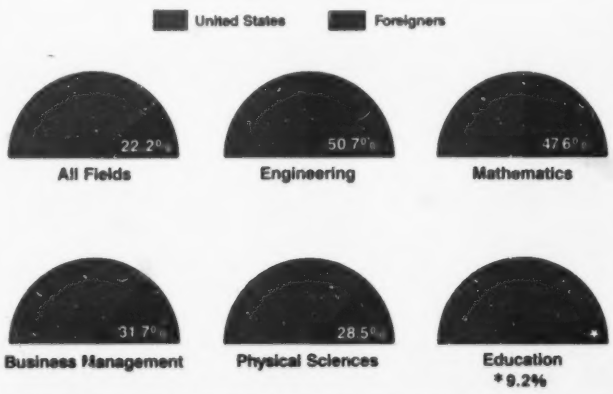
Foreign Student Enrollment in Institutions of Higher Education in the United States



Foreigners Receiving Doctor's Degree

Selected Fields of Study

1986- 1987



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